



# **Regulation of Physician Reimbursement**

**Presentation to Task Force on Physician Reimbursement  
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# Overview

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- Competition
- Regulation
- Statutory changes – competition
- Statutory changes – regulation
- Policy options – pros and cons
- Conclusions

# Competition

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- Today, carriers and providers negotiate reimbursement rates
- Statute provides “rules of the road”
  - Anti-trust provisions
  - Provider panel requirements
  - Compensation requirements
    - §§ 15-113 of the Insurance Article specifies carriers:
      - May not reimburse a provider less than the negotiated rate
      - May provide bonuses and incentive based compensation *only if* payment:
        - Complies with the provisions of §§ 19-705.1 of the Health-General Article;
        - Promotes delivery of medically appropriate care; and
        - Except for preventive services, is not based on the cost, or number of medical services provided, proposed or recommended by the health care practitioner without reference to the medical appropriateness or necessity of the services
    - §§ 19-710.1 of the Health-General Article specifies HMO payments to non-participating providers



# Regulation

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- An alternative to competition; solution to provider concerns about reimbursement rates
- Types of regulation
  - All-payer system
  - State sets provider reimbursement
  - “Safe-harbor”
- Proposed previously and rejected
  - HSCRC and Medicare Part B
  - 1993 provider payment system

# Statutory changes – competition – non-participating providers

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- Modify §§ 19-710.1 of the Health-General Article
  - Greater transparency
    - Percentage of Medicare
    - Posting of fee schedule on the Internet
  - More accountability
    - Require filing attestation fee schedule complies with the current provisions of §§ 19-710.1 of the Health-General Article

# Statutory changes – competition – participating providers

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- Modify bonus provision of §§ 15-113 of the Insurance Article to:
  - Specify permissible payment methodologies for bonuses for certain designated purposes (e.g., medical home, pay for performance)
  - Require filing proposed bonus payment methodologies for “prominent carriers”
- Modify provision of §§ 15-113 of the Insurance Article to:
  - Allow carriers to pay a certain percentage less than the negotiated amount for specific practices (e.g., failure to adopt EDI)
  - Require filing proposed “reduction” payment methodologies for “prominent carriers”



# Statutory changes -- regulation

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- Modify anti-trust statutes for a “safe-harbor”
- Modify Insurance Article to require carriers to pay:
  - In accordance with a state payment system ala the 1993 requirement
  - Hospital-based physicians through the all-payer system



# Policy options: pros and cons

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## ■ Competition

### ■ Pros

- Allows for additional regulatory oversight
- Provides additional market signals

### ■ Cons

- Largely maintains status quo; limited shift in “balance of power” between providers and carriers
- Consensus difficult to achieve

## ■ Regulation

### ■ Pros

- Modifies “balance of power” between providers and carriers
- More transparent payment

### ■ Cons

- May slow innovation
- State mandated payment may apply to a small percentage of the health care expenditures in the State
- Consensus difficult to achieve